LARSON FINANCIAL SECURITIES, LLC

FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

DECEMBER 31, 2015

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding Larson Financial Securities, LLC's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Business Activity

Larson Financial Securities, LLC (the "Company") is a wholly-owned subsidiary of Larson Financial Holding Company, LLC and is a registered securities broker-dealer that specializes in variable insurance, mutual funds and municipals. The Company was formed in November 2009 and began operations in July 2010. The Company does not hold funds or securities for, or owe money or securities to customers, and does not otherwise carry customer accounts. Accordingly, the Company is exempt from Securities and Exchange Commission Rule 15c3-3. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulation Authority ("FINRA").

Concentrations of Credit Risk Arising from Deposits in Excess of Insured Limits

The Company maintains its cash accounts in two commercial banks. The majority of the balances are insured by the Federal Deposit Insurance Corporation up to $250,000 for the year ended December 31, 2015. At various times throughout the year ended December 31, 2015, the Company's cash balances have exceeded the insured limits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (Continued)

Commissions Receivable

The Company receives commissions from variable life insurance, variable annuities, mutual funds, municipal funds and group 401k sales. The majority of these commissions are from variable life insurance and specifically from the vendor, Nationwide Insurance Company (Nationwide). Nationwide pays its commissions upfront and if the client does not fully fund the product in the first year charges back a portion of this commission to the advisor. The Company has established a reserve of $25,000 as of December 31, 2015 for these anticipated chargebacks.

Accounts Receivable - Brokers

The Company pays certain expenses on behalf of the brokers. These expenses include insurance, rent, required FINRA licenses, office staff, a technology fee, and other miscellaneous office expenses. These amounts are subsequently reimbursed to the Company in the form of withheld commissions due to the respective broker. These amounts have been reflected in the accompanying Statement of Financial Condition and totaled $97,710 at December 31, 2015. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2015, there was no allowance balance required.

Income Taxes

The Company is a single member Missouri limited liability company (“LLC”) and operates under an operating agreement, that provides for, among other things, the continuation of the Company for a perpetual term, unless terminated as provided for in the operating agreement. In addition, as provided for in the operating agreement, no member or manager shall be personally liable for any debts of the Company, unless personally guaranteed by the member or manager pursuant to a separate document. In lieu of corporate income taxes, the member of the LLC is taxed on the entity’s taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

The Company follows the guidance of FASB ASC 740-10, *Income Taxes – Overall,* as of and for the year ending December 31, 2015. Included in this is a requirement under Accounting for Uncertainty in Income Taxes that realization of an uncertain income tax position must be “more likely than not” (i.e., greater than 50% likelihood of receiving a

Note 1 – Summary of Significant Accounting Policies (Continued)

benefit or expense) before any amount should be recognized in the financial statements. Further, the code section prescribes the benefit or expense to be recorded in the financial

statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions.

The code section also clarifies the financial statement classification of potential tax-related penalties and interest and sets forth disclosures regarding unrecognized tax benefit or expense. The Company has assessed its federal and state tax positions and determined there were no uncertainties or possible related effects that need to be recorded as of or for the year ended December 31, 2015.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, which are not held for sale in the ordinary course of business.

Subsequent Events

Management has evaluated subsequent events through February 23, 2016, the date which the financial statements were available to be issued.

Note 2 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (“Rule 15c3-1”), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to1. The Company had net capital of $131,517 which was $100,479 in excess of its required minimum net capital of $31,038. The Company’s ratio of aggregate indebtedness to net capital was 3.54 to 1.

Note 3 - Related Party Transactions

The Company has an agreement with an affiliated company, Larson Financial Group, LLC ("LFG"), whereby LFG furnishes office space and management services in connection with the development, promotion, management and operation of the Company's business, in exchange for a monthly fee during the year ended December 31, 2015.

Accrued commissions include $206,191 of commissions payable to related parties at December 31, 2015.

A payable of $14,625 as of December 31, 2015 represents an amount due to LFG, for commission received on a term life insurance policy. This was offset by a prepaid management fee of $25,759 resulting in a due from affiliate of $11,134.

Note 4 – Loan Guarantees

As of December 31, 2015, Larson Capital Management, an entity with common ownership, put Larson Financial Securities as a joint guarantor of real estate debt in the principal amount of $2,080,000. The Company became aware of this in February 2016 and is taking steps to remove Larson Financial Securities as guarantor.

Note 5 – Concentrations

The Company earned a substantial portion of its income for commissions earned on the sale of variable universal life insurance policies. Income earned on commissions from these products represented 87% of total income for the year ended December 31, 2015. In addition, 98% of the commissions earned on the sale of variable universal life insurance policies were issued by two carriers for the year ended December 31, 2015.